Connecticut Department
of Social Services
Making a Difference

Testimony Before the

Appropriations Committee

Governor Rell's SFY 2010/2011 Budget Recommendation for the

Department of Social Services

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Good afternoon Senator Harp, Representative Geragosian and members of the Appropriations Committee. My name is Claudette Beaulieu and I am the deputy commissioner for programs of the Department of Social Services. I am here at the request of Commissioner Michael Starkowski, who is unable to be here today due to scheduled surgery. He asked that I present his testimony to you today on his behalf. We at DSS are looking forward to his return and I know that you all join me in wishing him a speedy recovery.

I am privileged to be here before you today to testify in support of the Governor's Recommended Budget for DSS. I am accompanied today by senior DSS managers who are prepared to assist me in addressing some of your more detailed questions.

As Governor Rell and OPM Secretary Genuario have stated on more than one occasion, these are extraordinary times of economic adversity. We are seeing economic problems that are well beyond the scope of recent downturns:

- residents across the state are trying make ends meet with reduced wages or hours of work
- others have lost their jobs
- businesses are scaling back, or in some cases closing
- home foreclosures are up
- people fortunate enough to have been able to save for retirement or other needs have seen the value of those nest eggs drop dramatically
- the price of food, fuel, and clothing and just about everything else has gone in the opposite direction---only getting higher
- people are curtailing spending and looking to find ways to do more with less.

And virtually everywhere we look, we see the same across the country. The national economic outlook will take some time to improve, even with the efforts being made in Washington by the President and Congress to intervene and reverse the economic decline.

All these forces are coming to bear on state budgets, and Connecticut is no exception.

- As Connecticut workers lose jobs or have their hours reduced, demand for services of the Department of Social Services has risen
  - As just one example, applications for the Supplemental Nutrition Assistance Program (formerly known as Food Stamps) were up 30% in the October to December 2008 quarter, compared to the same time in 2007.
- We are facing a projected budget deficit in SFY 2009 of over $922 million.

- Over the biennium, this shortfall is estimated by the Office of Policy and Management to increase to over $6 billion.

- Other states are facing problems of even larger magnitudes, and may not have the benefit of having "rainy day funds" to help offset the deficit.

Understanding that DSS expenditures of over $5 billion equate to 28.1% of the overall SFY 2010 budget, the Department must be a significant part of any effort to balance the budget.

Just as Connecticut families are scaling back and tightening their budgets, so must we.

The Governor's recommended budget for DSS, while it does contain reductions, allows us to maintain our core functions and services to those most in need. Unlike what is happening in some other states, the Governor's recommended budget protects that which is most important and in some critical areas even expands benefits. Significantly, the Governor's recommended budget provides for expected caseload increases in vital programs as more Connecticut residents apply for services. And the Governor's budget also protects recent eligibility-level expansions in HUSKY for parents, relative caregivers and pregnant women.

The combined total of the Governor's recommended changes in the DSS appropriation result in current service reductions of $382 million in SFY 2010 and $438 million in SFY 2011, for a total reduction over the biennium of $820 million.

Governor Rell stated in her budget address that none of the proposed cuts were easy to make and that they are not inconsequential, but that they do represent a return to a level of government spending that is affordable in these times. The Governor's proposed budget, which incorporates the federal economic stimulus package, allows us to hold our core services in place until the economy recovers.

I'd like now to turn to a discussion of the details of the Governor's recommended budget.

Funding for caseload increases

The Governor recognizes the direct relationship between economic downturns and more citizens seeking our help. Therefore, the Governor has included funding to accommodate for the upward caseload trends in Temporary Family Assistance (TFA, or cash aid), State-Administered General Assistance (SAGA), the HUSKY Plan , the Charter Oak Health Plan and various other programs.

The budget assumes over 10% growth in HUSKY A over the biennium, with caseload expected to grow to 375,000 by the end of FY 2011. HUSKY caseloads have shown steady increases over the last few years, from just under 300,000 in FY 2007 to 342,000 this year. This will require additional funding of approximately $70 million over the biennium.

The caseload under Medicaid fee-for-service (health care for elders and people with disabilities) is expected to grow by approximately 8.5% over the biennium. Enrollment in the state-subsidized portion of the Charter Oak Health Plan (adults earning under 300% of the federal poverty level) is expected to almost triple by the end of the biennium, with caseload projected to reach almost 26,000 state-subsidized clients by June 30, 2011. Over $17 million has been added over the biennium to support growth in Charter Oak.

Both SAGA cash and medical are expected to see caseload growth of 10% over the biennium. Approximately $18.5 million has been added over the biennium to reflect increases in both cash and medical assistance under the SAGA program. TFA caseloads are projected to increase slightly (2.6% in FY 2010 and 1.1% in FY 2011. This includes $1.1 million in FY 2010 and $400,000 in FY 2011 for caseload growth.

Recent expansions are maintained

The Governor is recommending that recent expansions in HUSKY be maintained. Her budget includes funding for the continuation of the 185% of federal poverty level income test for both children and adults in HUSKY A.

In addition, funding is included to continue the new 250% of FPL income limit for women who are pregnant; and for enrolling newborns at birth in HUSKY if they are uninsured.

Unlike the governors of many other states, Governor Rell is not proposing across the board reductions in Medicaid provider rates (i.e. hospitals, physicians, clinics) or in nursing home rates. Instead, the funding for Medicaid rate increases that was added during the FY 2007-09 biennium — totaling over $200 million annually — is preserved.

Also, Governor Rell's budget does not propose across-the-board reductions to private provider funding and instead recognizes the need to maintain as much continuity as possible in these areas in order to serve those in need of assistance from the state during these trying times.

Program expansions even during economic downturn

Despite the fiscal situation confronting the state, the Governor is proposing some program expansions to ensure that those most in need can be assisted during the economic downturn. These initiatives include food and nutrition assistance, working with shelters to reconnect people with stable housing, and increasing the amount of child support a family on TFA can retain without losing eligibility.

First, the Governor is proposing $880,100 in FY 2010 and $863,600 in FY 2011 for additional food and nutrition assistance by increasing categorical eligibility through a state plan change under the federally-funded Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp program), expanding assistance to food pantries and food banks, and expanding home-delivered and congregate meal services for the elderly.

SNAP is a 100% federally funded nutrition program that helps low-income individuals and families purchase food. The U.S. Department of Agriculture allows states to expand categorical eligibility by providing a non-financial benefit funded through Temporary Assistance to Needy Families. As a result, DSS will be able to revise the state's program to expand categorical eligibility by increasing the gross income test up to 185% of the federal poverty level, compared to130% under current policy, and eliminating the asset limit. These changes are expected to increase the number of households that can be served under SNAP by about 19,000. This program tends to be very sensitive to overall economic conditions. Of the department's programs, SNAP is showing the highest rate of growth.

Second, the Governor is proposing $300,000 in each year of the biennium to enable food pantries to purchase food in bulk at a reduced cost. One-third of the funds will be provided to Food Share and the remainder to the Connecticut Food Bank for distribution to food pantries, food banks, shelters and soup kitchens within their respective regions.

Third, the Governor recognizes the needs of older adults who need help in getting wholesome, nourishing meals. The Elderly Nutrition program annually provides home-delivered or congregate meals to approximately 22,700 elderly, many of whom live alone or are located in a rural area or are disabled. The Governor's budget provides additional funding of $450,000 in each year of the biennium to address the wait list for home-delivered meals, increase the number of weekend meals, and to expand the benefit or increase the number of elderly who participate.

In addition, the Governor is proposing a reallocation of existing shelter resources to initiate a focus on "rapid rehousing." Through the cooperative efforts of the Departments of Social Services, Children and Families, and Economic and Community Development, along with our partners at the Connecticut Coalition to End Homelessness, this initiative will assist shelters in offering financial and housing specialist supports and intensive counseling to families experiencing a non-chronic housing crisis. These efforts are expected to reduce shelter stays and expedite placement and restabilization in the community.

The Governor's budget also proposes an increase in the amount of child support recoveries paid to families. This proposal increases from $50 to $100 the amount of the current child support payment that is disregarded and passed through to families receiving Temporary Family Assistance. Increasing the disregard provides families with additional financial support and a greater incentive to cooperate in securing child support for their children. Since October 2008, the Deficit Reduction Act no longer requires states to reimburse the federal government for 50% of child support payments collected and disregarded. As a result of this change in federal law, the child support pass-through can be increased to $100 at no cost to the state.

Cost sharing rather than program cuts

Given the high cost of health care, cost sharing is proposed as an alternative to restricting eligibility under a number of DSS programs. Many states – up to 44 – already have some form of cost-sharing in their Medicaid programs. Co-payments and premiums are introduced under Medicaid (to include HUSKY A), and client financial participation is increased under the HUSKY B program as an alternative to reducing or eliminating eligibility. Cost sharing will be required under Medicaid not to exceed 5% of family income on allowable medical services (excluding hospital inpatient, emergency room, home health, laboratory and transportation services), resulting in savings of $8.5 million in FY 2010 and $10.5 million in FY 2011.

Consistent with federal rules, children under age 21, individuals at or below 100% of the federal poverty level, SSI recipients, pregnant women, women being treated for breast or cervical cancer and persons in institutional settings are exempt from the cost-sharing requirement.

The Governor is also proposing to establish monthly premiums for HUSKY-eligible adults, not to exceed federal maximum levels, for savings of $8.8 million in FY 2010 and $9.3 million in FY 2011. Premium amounts will be determined on a sliding scale.

Finally, under HUSKY B, individuals with income between 236% and 300% of the federal poverty level will be required to pay higher premium amounts, which will result in savings of $1.5 million in FY 2010 and $1.6 million in FY 2011. Through these cost sharing measures, critical health care programs can be maintained and eligibility restrictions avoided.

In addition to the establishment of premiums for HUSKY A adults and modifications to premium payment requirements under HUSKY B, the budget eliminates self-declaration of income under HUSKY A, resulting in estimated savings of $2 million in both FY 2010 and FY 2011 through a tightening of eligibility screening.

Additional program measures

Some adjustments to programs are proposed where necessary to reflect either new programs or funding available at the federal level. The maturation of the Medicare Part D pharmacy benefit has allowed Connecticut to rethink the necessity of the state's Medicare Part D Supplemental Needs Fund, as prescription drug plans are required to cover those drugs that are medically necessary. In line with the benefits provided by other states, Connecticut will no longer provide coverage of non-formulary drugs under Medicare Part D, as prescription drug plans are required to cover all medically necessary drugs.

Both dually eligible clients (those who are eligible for both Medicare and Medicaid), and ConnPACE clients will be required to enroll in one of the 12 basic plans under Medicare Part D. It has been found that the current enhanced plans do not provide any additional benefits over the lower costing basic plans. With no lock-in, dually eligible clients have the ability to switch plans on a regular basis as their drug regimens change. Other states do not do this. For ConnPACE clients, pharmacists will provide that upfront assistance to make sure the client is enrolled in the most appropriate plan that meets their needs.

Like the vast majority of states, Connecticut will no longer cover all of the Medicare Part D co-pays charged to dually eligible (Medicare and Medicaid) clients under the federal prescription drug assistance program, resulting in savings of $3.7 million in FY 2010 and $4.0 million in FY 2011. To ensure that these co-pay provisions are not overly burdensome, clients will not be responsible for pharmacy co-pays of more than $20 per month.

The Governor's budget also calls for a number of modifications to ConnPACE and the other pharmacy programs. Given the significant expenditures made by DSS each year for pharmaceuticals ($564.3 million on FY 2009), program revisions are proposed which would save $86.0 million in FY 2010 and $94.5 million in FY 2011. A large portion of these savings are related to the elimination of non-formulary coverage for Part D enrollees ($26.2 million in FY 2010 and $28.7 million in FY 2011) and the restructuring of the ConnPACE program ($25.0 million in FY 2010 and $27.5 million in FY 2011). Savings initiatives include adding mental health related drugs to the preferred drug list, requiring prior authorization on certain high cost drugs, reducing pharmacy reimbursement levels, eliminating coverage of most over-the-counter drugs to the extent allowed under federal law, and adding co-pay requirements (up to $20 per month).

Changes under the ConnPACE program include increasing the annual enrollment fee from $30 to $45, freezing income eligibility levels over the biennium, and instituting an open enrollment period similar to commercial plans and the Medicare Part D program. In addition, by adopting the same asset test used to determine eligibility for the federal low-income subsidy under Medicare Part D, ConnPACE benefits will be targeted to those most in need.

Other program reductions or eliminations are necessary to deal with the fiscal crisis. Adult dental benefits under the Medicaid and SAGA programs will provide emergency services only, coverage similar to that offered by most other states. According to the National Academy of State Health Policy (October 2008), only 16 states (including Connecticut, MA, NY, NJ) currently provide comprehensive adult dental services. Most states provide only emergency or partial adult dental services; 6 do not provide any adult dental services at all.

The budget includes a proposal to eliminate the rebasing of nursing home rates that would have resulted in a 9.64% increase in FY 2010 and a 3% inflationary adjustment in FY 2011 resulting in savings of $115.3 million in FY 2010 and $166.4 million in FY 2011.

We are proposing to move one-half of the June 2010 payment for nursing homes to July 2010, with this delay continuing in subsequent years. This would result in a one-time savings of $53.1 million in FY 2010.

Funding is provided to develop an online screening system to allow DSS to assume responsibility for screening individuals with mental illness and mental retardation for appropriateness for nursing home placement. Over the next five years, this enhanced screening process is expected to identify over 300 individuals who could be better served in the community rather than in institutional settings. The estimated savings, $3.8 million in FY 2010 and $8.3 million in FY 2011, assumes closure of approximately 100 nursing home beds in FY 2011.

The proposed budget eliminates the rate add for Intermediate Care Facilities for the Mentally Retarded. Elimination of the 4.7% and 4.9% increases in FY 2010 and FY 2011, respectively, for ICFs for those with developmental disabilities would result in savings of $2.9 million in FY 2010 and $6.2 million in FY 2011.

In addition, to control future costs, the budget proposes a cap on the total number of beds under 'small house nursing home" projects. Further development is restricted by capping the number of beds at 280 through the biennium.

The Governor's budget includes implementation of provisions to deny Medicaid payment to hospitals for 'never events.' These are serious and costly errors in the provision of health care services that should never happen. This proposal mirrors the Medicare policy on non-payment for these types of errors. The savings estimated as a result of this initiative is $1.7 million in FY 2010 and $1.8 million in FY 2011.

The Governor's budget proposes a revision to the existing policy regarding services for legal non-citizens. Under this proposal, estimated savings of $23.6 million in FY 2010 and $24.5 million in FY 2011 would be achieved by providing only emergency health care services under the Medicaid and HUSKY B programs to legal non-citizens. Connecticut is one of only 14 states that provide state-funded coverage to non-citizens, and at least two have proposed elimination of such coverage.

Savings of $4.5 million in FY 2010 and $9 million in FY 2011 are estimated under a proposal to replace the current medical necessity definition under Medicaid with the definition for SAGA medical. This medical necessity definition was recommended by the University of Connecticut Health Center Physician Advisory Team under the leadership of Dr. Peter Deckers. The definition would combine the concepts of medical necessity and appropriateness under a single definition as is done in Medicare and under most public sector and commercial health care programs, and it would update the department's definition to provide for evidenced-based medical necessity decisions.

The Governor's budget calls for the creation of a Community and Social Services Block Grant and an Employment Services Block Grant. Under these proposals, funding from certain non-entitlement programs within DSS are reallocated into block grants and distributed according to a plan developed by regional planning councils, subject to review and approval by DSS, OPM and legislative committees of cognizance. The combined savings from these initiatives is expected to be $3 million in both FY 2010 and FY 2011.

Last year, DSS paid $83 million for medication administration. The budget includes a proposal to require certification for medication administration in residential care homes and boarding homes so that they can provide medication administration to their residents, resulting in savings of $1.4 million in FY 2010 and $2.9 million in FY 2011.

Federal stimulus

The stimulus package has significant impacts for DSS. The stimulus bill that was signed yesterday by the President contains substantial increases in Medicaid reimbursement beyond Connecticut's normal 50% Medicaid reimbursement rate. It contains a base increase in the reimbursement rate, and also a supplemental increase because of the increase in our state's unemployment rate. Under this legislation, Connecticut will receive approximately $1.32 billion over FY 2009, FY 2010 and FY 2011 as revenue to the General Fund. It is important to note that the stimulus money, as welcome as it will be, is not a silver bullet for our budget problems.

The fiscal crisis presents clear challenges, but Governor Rell's proposed budget responds to those challenges by ensuring that critical health and human services are preserved while also respecting the fiscal limitations confronting the state. The reductions proposed in the budget are tempered by significant investments in serving additional Connecticut residents through the most critical health care and social service programs, and by new initiatives designed to help those affected by the economic downturn.

The level of resources provided in the budget for all of the health and human services agencies demonstrates an extraordinary commitment to maintaining services for those in need, despite the challenges facing Connecticut's economy.

In summary, the Governor's budget recommendation for DSS supports our ability to continue providing critical services to higher numbers of individuals and families as reflected in the increasing caseloads.

At this time, I would appreciate the opportunity to respond to any questions you may have. Thank you.